



S T A T E O F C A L I F O R N I A

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Blue Cross of California Fined by State for Wrongly Rescinding A Patient's Health Insurance Policy

(Sacramento) – The Department of Managed Health Care (DMHC) has fined Blue Cross of California \$200,000 for rescinding the health insurance policy of one of its members in violation of state law. The fine is the first to be imposed in a multi-health plan investigation by state regulators into allegations that plans are illegally rescinding individual policies after a claim is made.

“California’s health care consumers must have the peace of mind that their health coverage won’t be rescinded unfairly if they make a claim, leaving them with huge medical bills,” said Cindy Ehnes, Director of the DMHC. “This is an especially egregious case; the rescission is based on omission of information about a corrective surgery performed twenty years prior with a clean bill of health for two decades, verified by the patient’s health care provider to the plan.”

In this case, the DMHC has fined the plan on two violations of law. The first is that Blue Cross failed to complete pre-enrollment medical underwriting and to resolve all reasonable questions about the applicant’s condition before issuing health coverage. The plan also failed to prove that the member willfully misrepresented her health history.

In late 2005, the DMHC launched an initial investigation of Blue Cross following individual consumer complaints about the rescission of policies due to omitted health information on applications. The investigation was subsequently expanded in March 2006 to

(more)

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Department of Managed Health Care

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include systemic problems at other plans, including a lack of clear pre-enrollment policies, procedures, and confusing applications.

The DMHC will continue its review of practices and policies in the individual insurance market that unfairly restrict the availability of coverage to California consumers, and will make recommendations to the Governor on possible changes to the law to ensure, for example, that insurers cannot require 20 years of health history.

In addition, the DMHC's HMO Help Center will intervene on behalf of any consumers who have been informed that coverage will be rescinded by their health plans before the effective date. By logging on to www.hmohelp.ca.gov, consumers can easily download a form and send it to the DMHC with any supporting evidence for review. Consumers can also contact the Help Center at 1-888-HMO-2219.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The DMHC has assisted more than 633,000 Californians through its 24-hour Help Center to resolve health plan problems, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a solvent and stable managed health care system.

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